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ABSTRACT

In consideration of conclusions reached by the Council of Ontario Universities (COU) in March 1999, the COU presents data in support of recommendations for the 2000 Ontario budget. Significant issues include the substantial increase in demand for university services, need for faculty recruitment, facilities improvement, and expanded research capabilities. The paper discusses student demand, expected to reach an additional 88,900 students by the year 2010. In addition, almost 11,000 new faculty will be needed over the next decade. According to analysis of research capacity, Canada lags behind its G7 counterparts in expenditure on research and development. Facilities renewal will comprise a substantial future expenditure. Quality, accountability, diversity of educational opportunity, and responsiveness to student and marketplace needs are highlighted. The brief outlines government actions indicated and the university system's commitment in attaining goals for the system. The report highlights Ontario universities' areas of innovation and responsiveness, economies and efficiencies, and commitment to accountability. Data indicating Ontario's expenditures on research and development, and future facilities costs, are presented, as well as a chart outlining four-year changes in support for higher education in Ontario as compared to other provinces and the United States. (HB)

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ED 446 477

BRIEF TO THE ONTARIO LEGISLATURE'S

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

2000 PRE-BUDGET CONSULTATIONS

A. Cadieux

FEBRUARY 16, 2000

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COUNCIL OF
ONTARIO UNIVERSITIES

CONSEIL DES
UNIVERSITÉS DE L'ONTARIO

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INTRODUCTION

Tomorrow's opportunities will go to societies that are solidly grounded in knowledge and have recognized that their capacity to excel in the new economy will be linked directly to the knowledge and skills levels of their workforce.

Mindful that the future health of the provincial economy will be linked directly to the quality of the educational experience that students receive today, and acutely aware of the extent to which this quality had eroded, the Council of Ontario Universities (COU) took an important step in the fall of 1998. With the help of the management consulting and accounting firm, PricewaterhouseCoopers, and opinion researcher, the Angus Reid Group, COU set out to analyse the Ontario university sector's capacity to meet public expectations.

In March 1999, the COU released a report entitled *Ontario's Students, Ontario's Future*, which highlighted the two commissioned studies.

The key conclusions were:

- Full-time university enrolment will likely increase by approximately 25 to 40% by the end of the next decade.
- Between 11,000 and 13,000 new faculty hires are needed to meet increased enrolment demand, offset faculty retirements, and lower the student/faculty ratio.
- Ontario universities have had to defer the maintenance and renewal of their teaching facilities, instructional equipment, and research laboratories.
- Quebec, Alberta and British Columbia all outperformed Ontario by adopting proactive provincial research policies in the 1980s and early '90s that gave their university researchers a competitive advantage.

The tremendous increase in demand along with the need for new faculty, improved facilities and an expanded research capacity create a need for a substantial increase in public funding. Public opinion research indicates that Ontarians are prepared to have more public money invested in their universities -- as long as the resources are used wisely and effectively.

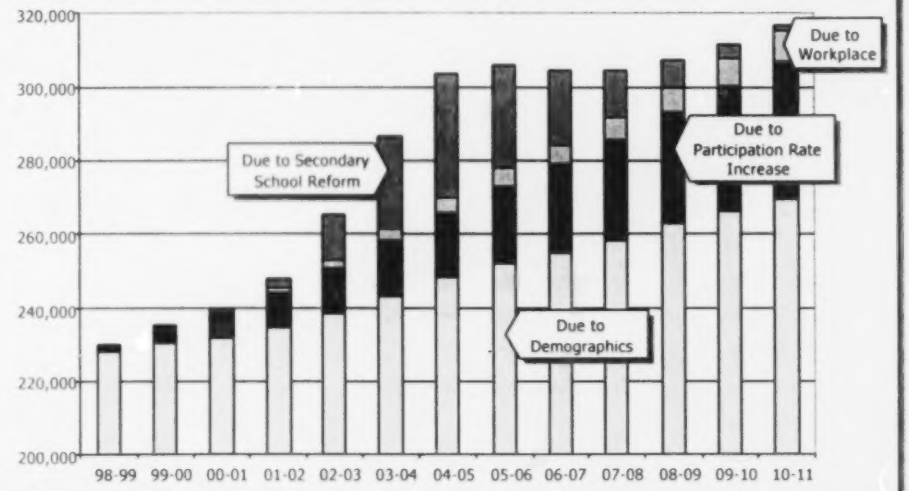
Ontario universities have responded to increasing financial pressures in a variety of ways—with a focus on quality while meeting public policy expectations of greater accountability, financial efficiency, diversity of educational opportunity, and responsiveness to student and marketplace needs. This brief outlines efficiencies and innovations that Ontario universities have instituted.

The 2000 Ontario Budget is an opportunity for the Government of Ontario to manifest its commitment to Ontario universities. Ontario and its students will be best served if we use this occasion to plan for the long-term, build on strengths, and invest in enhancing the quality of the university experience across Ontario.

GROWTH IN STUDENT DEMAND

Potential for 88,900 More Students by 2010

Projected Full-time University Enrolment in Ontario from Demographics, Participation Rate Increases, Workplace Changes and Secondary School Reform



Source: MET, PricewaterhouseCoopers

FACTS

- 1999 first year full-time undergraduate enrolments increased by 6.6%
- largest year-over-year increase in a decade
- number of applicants for Fall 2000 is projected to rise over 1999

ACTIONS / RESULTS

Indicated government action
A commitment to a multi-year framework for financing the projected, once-in-a-generation, increase in student demand.

This framework would include:

- indications of the magnitude of public resources to be devoted to the task over the next five years
- confirmation of a funding formula
- a process for expert determination of the most effective allocation of additional resources to each of the universities
- adequate resources for 2000-2001

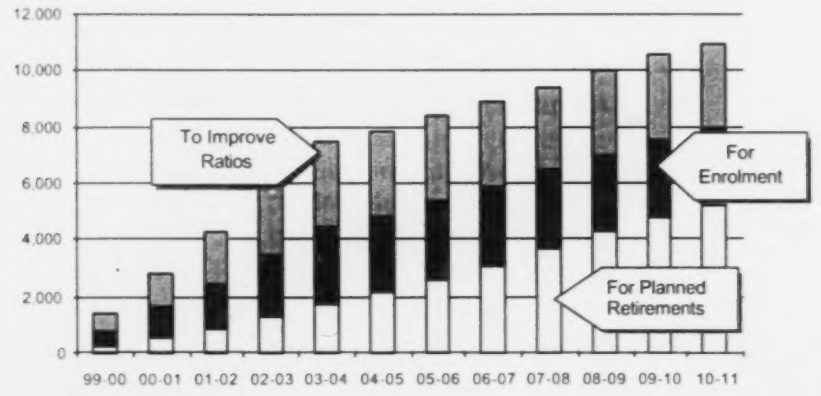
Universities' commitment
Ontario universities will ensure that all willing and qualified Ontario applicants in 2000 are offered a place in an Ontario university for the academic year 2000-01, in a manner consistent with past practice.

Expected result
Every willing and qualified Ontario student who seeks a university opportunity in 2000 will be accommodated.

THE STUDENT EXPERIENCE: QUALITY AND EXCELLENCE IN TEACHING AND LEARNING

Almost 11,000 New and Additional Professors by 2010

Total Projected Additional and Replacement Faculty in Ontario Required to Meet Retirements, Demand, and Improve Student/Faculty Ratios



Source: COU

FACTS

- Ontario's student / faculty ratio is the highest in Canada
- Ratio is 20% higher than the average of the other nine provinces
- 29% of faculty are between ages 55 and 64, Ontario universities will be losing large number of faculty just as enrolment demand is peaking
- Ontario will be competing against every other jurisdiction in North America for top faculty

ACTIONS / RESULTS

Indicated government action
Provide additional operating grants to hire new and additional faculty as well as funding to reward faculty excellence in teaching and research.

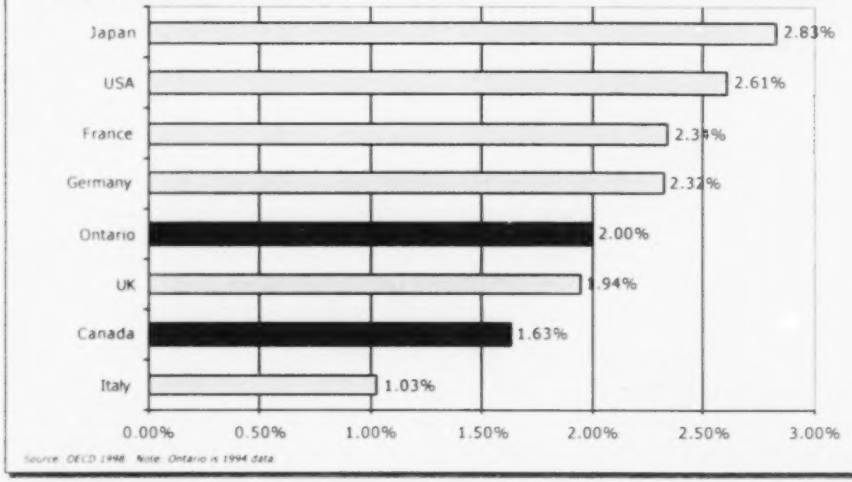
Universities' commitment
Develop plans to improve educational quality through smaller class size; promotion of more student-faculty interaction; expansion of co-op opportunities; greater use of learning technologies; and take initiatives to increase retention and graduation rates.

Expected result
Ontario university students will have improved educational quality, while Ontario universities will be better able to compete in the international market for faculty.

RESEARCH CAPACITY AND PERFORMANCE

Canada Lags Behind Its G7 Counterparts

Gross Expenditure on Research and Development as % of Gross Domestic Product (1996)



Source: OECD 1998. Note: Ontario is 1994 data.

FACTS

- Growing threat of losing top scholars, scientists and professionals
- Ontario has fallen behind other provinces in its share of federal research support: Ontario's share was 45% in the mid 1980's and 37.8% in 1996-97
- New provincial research initiatives: ORDCF, OIT, PREA, SuperBuild, R&D tax incentives
- Universities and Government have formed a Working Group on University Research
- Government-commissioned report *Growing Ontario's Innovation System*

ACTIONS / RESULTS

Indicated government action

Substantial increase in research support funding allocated primarily on the basis of adjudicated research performance.

Universities' commitment

Ontario universities will make substantial progress in increasing Ontario's share of research funding from federal granting councils in the next five years from 37.8% in 1996-97 to Ontario's share of GDP (41%) by 2003-04.

Each university will identify measures to increase the opportunity for research experience for undergraduates in their upper years as well as for graduate students.

Expected result

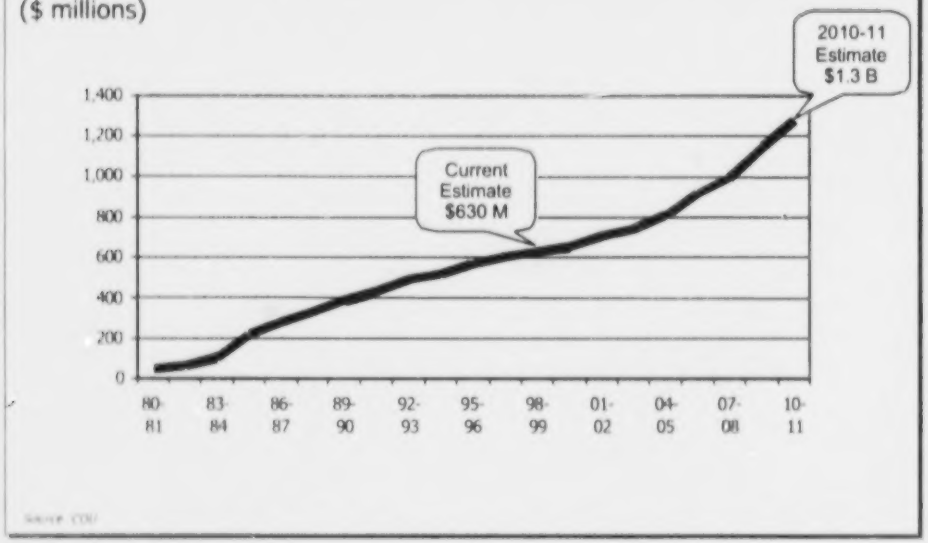
The research capacity of the province will be expanded and make the province more innovative, more attractive to foreign investment, and allow the universities to attract and retain top scholars, scientists and researchers.

FACILITIES RENEWAL

A Building Deficit

Estimated Accumulated Cost of Deferred Maintenance at Ontario Universities

($ millions)



FACTS

- SuperBuild Growth Fund is a crucial initiative to help upgrade existing facilities, expand space to meet enrolment demand and meet changing program mix
- average Ontario university building is 29 years old
- backlog of $630 m
- cost of facilities renewal growing by $60m to $90 m every year
- new costs to adapt academic space for changing program mix
- new costs from upgrading bandwidth and network capacities

ACTIONS / RESULTS

Indicated government action

Increase the funding for facilities renewal to approximately $165 million per year for 10 years:

- $90 m for ongoing facilities renewal
- $60 m to address backlog
- $15 m to adapt academic space to changing program mix

Universities' commitment

Universities will upgrade facilities to make needed repairs, retrofit space to accommodate different programs, and rewire existing classrooms and laboratories for computer networks.

Expected result

Academic space will be better utilized to help Ontario universities meet growing demand.

ONTARIO UNIVERSITIES: INNOVATIVE, RESPONSIVE, EFFICIENT, ACCOUNTABLE

INNOVATION

Task Force on Learning Technologies

A new COU Task Force on Learning Technologies, chaired by David Johnston, President of the University of Waterloo and a recognized expert in new technologies, was created to examine key issues facing universities related to the use of learning technologies in teaching and learning. Representatives from the university community, industry and government make up its membership.

Ontario Digital Library

The knowledge explosion brought about by digital technologies has transformed the way people learn, do research and practice trades and professions.
The educational system must also transform the way it provides access to globally generated information and science databases if our workforces and industries are to stay competitive in this 21st century.

To address the need for digital libraries, universities will require $40 million for investment in provincial site licenses to academic information resources. These funds would build a 21st century Digital Library accessible to all universities and to students at all levels

OJIB's report, *A Road Map to Prosperity*, included recommendations for government funding support for province-wide digital library initiatives.

RESPONSIVENESS

Access to Opportunities Program

The Access to Opportunities Program was initiated by the Government of Ontario to respond to the shortage of skilled high-tech professionals in Ontario. The program resulted in a total of 23,000 new spaces—well above the original 17,000 planned.

Teacher Education

Ontario universities responded to an acute teacher shortage in specific program areas by expanding enrolment in 1999-2000 by over 500 spaces, assisted by a strategic financing initiative of the Government of Ontario.

Nursing Education

Ontario universities are working with the Government of Ontario to implement the Ministry of Health's new entry-to-practice requirements. By 2005, all new registered nurses will hold a baccalaureate nursing degree as a minimum requirement.

College-University Collaboration

Ontario universities signed with Ontario's colleges the Ontario College-University Degree-Completion Accord to enhance the opportunities for college students to complete a degree. Recent survey results indicate that 19 out of 23 responding colleges had completed or were working on new degree-completion arrangements.

ECONOMIES AND EFFICIENCIES

Ontario's universities have made significant efforts in evaluating and restructuring their processes and services to improve internal cost efficiencies, ensure that the necessary support is in place for their academic goals, and focus on services to students. At the same time, efforts have been made to increase other revenues through a variety of measures and ensure that all institutional operations—including ancillary operations—are operating in a cost-effective manner.

1. *Co-operative Purchasing, Centralising Services, and Collaborative Efforts*

a) Co-operative Purchasing—regional purchasing consortia
b) Centralized services—Ontario Universities' Application Centre; Ontario Council on Graduate Studies
c) Collaborative Efforts—partnerships with the colleges; programs; recruitment; publishing; service provision; administrative support

Universities' commitment
Ontario universities are committed to sharing best practices through the various affiliated groups associated with the Council of Ontario Universities.

2. *Revenue Generation*

Ontario universities outpace universities in all other provinces in terms of the proportion of total income generated from sources other than fees, and federal and provincial grants.

a) Universities have invested in fund-raising operations to establish new revenue flows in support of basic operations, projects and special initiatives.
b) Income from donations, non-government grants, and contracts at Ontario universities increased from $219 million in 1987-88 to over $630 million in 1997-98.
c) Since 1987-88 investment income has increased $86 million to $210 million in 1997-98.
d) Universities are actively engaging in a host of activities to secure new revenue flows including exclusivity supplier contracts, commercializing intellectual property and new forms of supplier advertising.
e) Universities have policies governing the disposal of or sale of assets and are constantly reviewing assets to determine if they are required or can be sold to generate revenue for other purposes.

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3. Ancillary Services and Administrative Efficiencies

Universities operate ancillary services in support of institutional missions and to meet the requirements of students, staff and faculty. In general, ancillary operations are operated with a view to complementing the academic focus of the institution and providing levels of service that meet or exceed industry standards.

(a) The Council of Finance Officers provides a full report on Ancillary Enterprises on an annual basis, detailing revenues and expenditures.

(b) In evaluating whether to operate the service or contract it out, each institution reviews its ancillary operations on a regular basis to determine the most economical, efficient and effective mode for service delivery keeping in mind local circumstances such as the existence of private competitors, collective agreements and quality of service.

(c) To varying degrees, institutions already contract out specific services such as food services, janitorial services, printing services, computer repair and maintenance, physical maintenance, renovations/alterations, delivery services and cartage depending on local institutional circumstances.

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4. Administrative Efficiencies

Relative to other provinces, Ontario universities' expenditures on general administration are low. Key points to note are:

(a) Ontario universities' expenditures on general administration are the lowest in the country when expressed as a percentage of total operating, special purpose and research funding.

(b) Keeping administrative expenses to reasonable levels is a constant challenge in the face of expanding reporting and compliance requirements from governments, (e.g., students aid administration) the introduction of a variety of competitive award programs such as CFI and ORDCF, increased emphasis on generating other sources of revenue and risk management in a more complex environment.

(c) Where appropriate, based on local institutional circumstances, some administrative functions such as payroll processing are provided by private sector businesses.

Universities' commitment
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5. *General Efficiencies and Economy*

Operational changes have occurred at university campuses in an effort to realize efficiencies and in recognition of the non-core nature of some activities. In other cases, a service on campus may be closed and individual departments find their own supplier if the service is required.

With respect to Information Technology Issues, the following observations were made:

(a) Many universities have invested in IT to improve service delivery and functionality in a host of areas.

(b) In areas like telecommunications there have been significant savings associated with operating one's own "switch" and communications system. For example at one institution a detailed cost comparison was prepared that indicated savings of $7 million over 5 years (operating and capital) from operating their own communications system as well as improved functionality and flexibility. In addition because of the flexibility a full range of communication services was installed in the residence system at substantial savings that translated into less cost for students. It is common knowledge in the industry that universities have a significant expertise in this area and, as a result, are used as beta sites for new technologies with appropriate savings associated with future capital acquisitions.

(c) In areas like student records or human resources systems, the motivation to upgrade is generally based on improved functionality, the need for better operational and analytical information, regulatory changes, changes in central computing capacity or technological obsolescence.

(d) Improved functionality in student record systems has allowed for the move to electronic registration and the consequent improvement in service to students.

(e) Improved functionality in human resource systems provides better management data, the provision of more information to employees and easier compliance with regulatory agencies.

With respect to examples of other infrastructure investments to save funds:

(a) Many institutions have invested in "relamping" to save energy costs and improve lighting on campus.

(b) Investments have been made to retrofit buildings and reduce energy consumption with the cost of the retrofit financed from "savings."

ACCOUNTABILITY

All Ontario universities provide students with information on graduate employment rates, institutional degree completion rates and OSAP default rates.

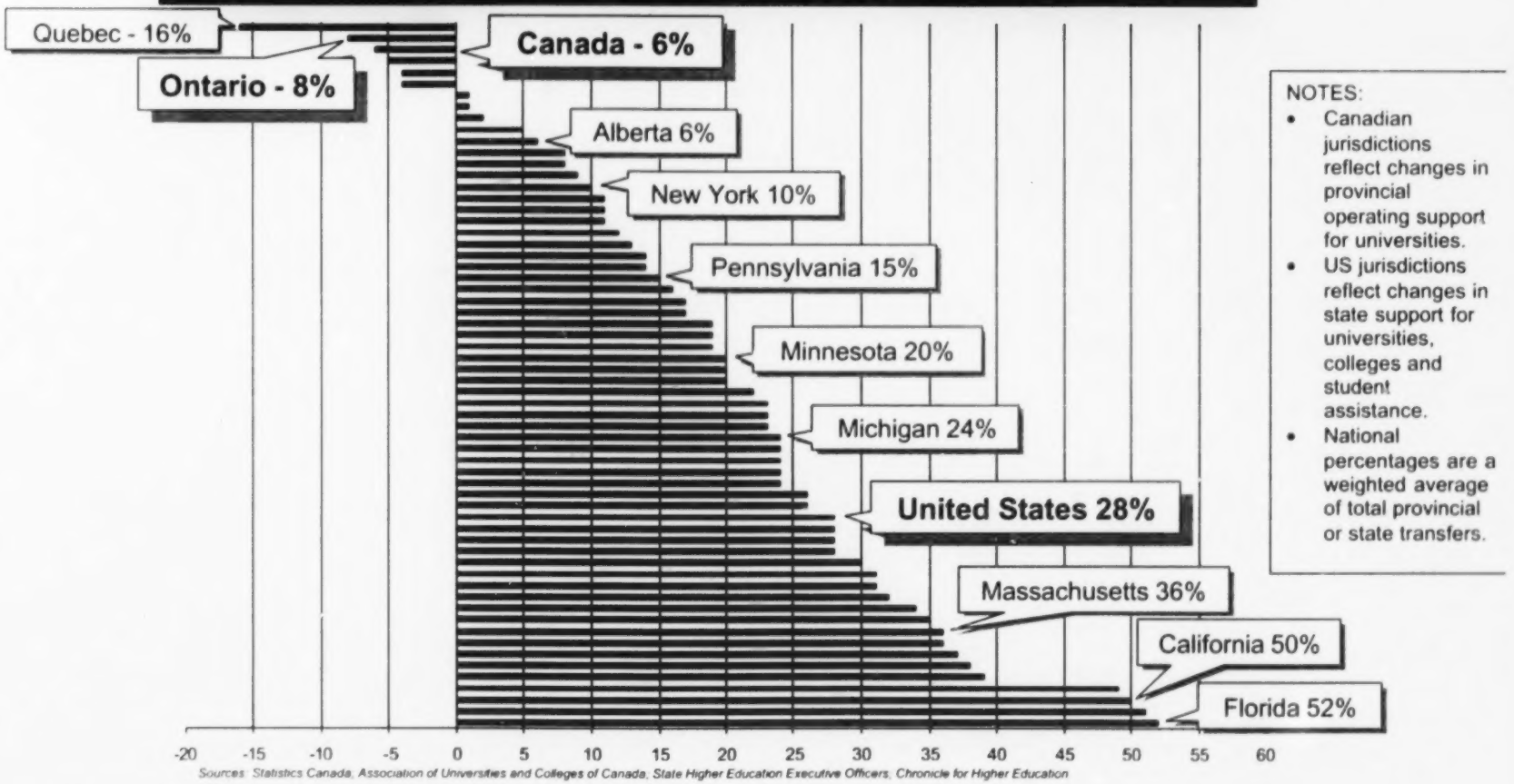
COU has commissioned a study by Dr. David Smith on quality indicators and quality enhancement in universities. The study will describe and assess the effectiveness of quality indicators currently being used in Ontario universities, and will examine the effectiveness of indicators in other jurisdictions.

Ontario universities conduct an annual survey of graduates on their employment experience six months and two years after graduation with particular focus on employment, earnings, and skills match between employment and education.

Ontario universities produce annual reports that detail the academic and financial accomplishments of the institution.

COU has struck a Task Force to work with the Ministry of Training, Colleges and Universities on its response to the Provincial Auditor's report.

Four-Year Changes in Support for Higher Education 1995-96 to 1999-2000


Quebec - 16%
Ontario - 8%
Canada - 6%
Alberta 6%
New York 10%
Pennsylvania 15%
Minnesota 20%
Michigan 24%
United States 28%
Massachusetts 36%
California 50%
Florida 52%
-20 -15 -10 -5 0 5 10 15 20 25 30 35 40 45 50 55 60
NOTES:
• Canadian jurisdictions reflect changes in provincial operating support for universities.
• US jurisdictions reflect changes in state support for universities, colleges and student assistance.
• National percentages are a weighted average of total provincial or state transfers.

Sources: Statistics Canada, Association of Universities and Colleges of Canada, State Higher Education Executive Officers, Chronicle for Higher Education

Over the past four years the United States has increased its investment in higher education at a much higher rate than has Canada, which has actually decreased its total investment. Ontario trails behind all jurisdictions with the exception of Quebec. New investments better enable jurisdictions to accommodate enrolment growth, recruit and retain top quality faculty, expand research capacities, and renew infrastructures.